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CITY OF SANTA CLARA

REVIEW AND ANALYSIS OF THE SAN FRANCISCO GIANTS PLAN FOR THE SANTA CLARA BALLPARK

JUNE 22, 1990

Coopers & Lybrand

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June 22, 1990

Mayor Everett "Eddie" Souza
and Members of the City Council
City of Santa Clara Redevelopment Agency
1500 Warburton Avenue
Santa Clara, California 95050

Dear Mayor Souza and Council Members:

This report was prepared to assist the City of Santa Clara Redevelopment Agency in the review and analysis of the San Francisco Giants Plan for the development and operation of a ballpark in the City of Santa Clara. The report has focused on the key issues contained in the Plan affecting the City and the public sector.

It should be noted that, at the time this report was prepared, the economic and fiscal impact study being prepared for the JPA had not been completed. Based on our past experience, the economic and fiscal impact created by this development could be significant. Accordingly, the economic and fiscal impact of this project should be considered before any final conclusion on the ballpark proposal can be reached.

It has been a pleasure working with you on this project. We sincerely appreciate the assistance and cooperation that the City's staff has provided.

Very truly yours,

Coopers & Lybrand

COOPERS & LYBRAND

KEY ISSUES AND RECOMMENDATIONS

In performing our evaluation of the Plan submitted by the San Francisco Giants organization and development team for the construction and operation of a ballpark in Santa Clara, a number of factors were considered. This section of the report will provide an overview of those factors and our recommendations to the City of Santa Clara in proceeding with this Plan.

In evaluating this Plan, we believe that there are three fundamental issues which should be considered. The first relates to the desire of the City and its constituents to attract Major League Baseball to Santa Clara. The City must ask, "Do we want Major League Baseball in Santa Clara?" and if so, "At what cost?". These questions are particularly important as attracting Major League Baseball, under any terms, will likely involve some level of public sector funding. The answers will provide an overall framework from which the implications of the San Francisco Giants proposal, as presented in the Plan or as subsequently modified, can be evaluated.

The second fundamental issue relates to the options which, in our opinion, are available to the City in acting on the Plan:

- Reject the Plan and the concept of attracting Major League Baseball to Santa Clara.
- Accept the general structure of the Plan as proposed and proceed with negotiations to modify specific provisions.
- Propose alternative methods for the construction and operation of a ballpark in Santa Clara.

A key consideration in determining which option is best for the City will include an evaluation of the risks and benefits associated with each.

Finally, since the City of Santa Clara currently owns the majority of the land required for the ballpark (and related parking), the City has a number of options available in negotiating with not only the Giants, but also with the Joint Powers Authority (JPA) jurisdictions. The City will need to determine its requirements in terms of compensation for the land and the structure that the compensation will take. This could include selling/leasing the land to the JPA, thereby creating a level playing field for all of the jurisdictions and then sharing costs prorata. Alternatively, the land could be used as a City contribution to the overall public sector investment, thereby impacting the City's responsibility for all remaining JPA project investments.

The remainder of this section provides our assessment of the key components of the Plan and our recommendations to the City of Santa Clara in proceeding with that proposal. The body of this report contains specific information about the Plan and our evaluation on behalf of the City of Santa Clara.

It is important to note that at the time this report was prepared, the assessment of the economic and fiscal impact of the ballpark being prepared for the JPA had not been completed. We believe that net economic and fiscal impact created from a stadium development and its continued operation will be significant and must be an integral part of the City's evaluation process.

The key components of the Plan and our recommendations are as follows:

GENERAL

- The Plan calls for a public/private partnership.
- The land and ballpark would be owned by the public sector.
- Spectacor Management Group (Spectacor) would enter into a long term agreement with the public sector for the development and operation of the ballpark.
- The Giants would enter into a long term lease with Spectacor to play in the ballpark.

LAND AND SITE IMPROVEMENTS

- The majority of the land designated for the ballpark and related parking is owned by the City of Santa Clara.
- Under the plan, the public sector is responsible for delivering to Spectacor an improved site "ready for development".

- The public sector will incur all costs of land assembly/commitment, site improvement and other infrastructure costs necessary to fulfill this obligation.

- The "preliminary" costs associated with this commitment (land and site improvements) as estimated by representatives of the City are as follows:

City owned land	$ 53,700,000
"Leslie Salt" property	8,500,000
Site improvements	60,000,000

- There are additional costs such as hazardous waste removal, if necessary, which could be incurred by the public sector relating to land and site improvements which are not included in the costs shown above.

- The public sector will own the land in its improved condition, but in effect, by entering into a minimum 33 year agreement for the use of that site, the land's value has been transferred to the private sector.

CONSTRUCTION

- The public sector's construction risks are limited as the developer (Spectacor) will assume responsibility, through a long-term development and lease agreement, for construction and will deliver to the public sector a ballpark on a turnkey basis.

- The public sector will not be responsible for any potential construction cost overruns.

- The Giants and Spectacor will provide equity to fund a portion of the ballpark construction. The Giants' equity is created in the form of suite and club seating deposits. Spectacor's equity may be partially offset by their developer's fee. In addition, vendor's equity in the amount of $10 million is also provided as a part of the construction financing.

- The value of the public sector's commitment for assembly of land and site improvements is in excess of $122,000,000.

- Through agreements with the public sector and the Giants' organization, Spectacor will secure $110 million in private financing for the construction of the ballpark.

- The public sector will be responsible for an annual operating payment of $7,500,000 for the next 33 years. This represents total payments of $247,000,000. The first three payments (totalling $22,500,000) will be used to fund a portion of the ballpark's construction costs.

OPERATIONS

- The private sector will be responsible for the operation and maintenance of the ballpark.

- The annual debt service associated with the $110 million of financing, as set forth in the Plan, is approximately $12.2 million.

- In effect, the annual operating payment by the public sector provides approximately 60 percent of the private sector's financing ($7,500,000 annual payment/$12,200,000 annual debt service = 61 percent).

- The private sector will assume responsibility for all in-ballpark operating costs and debt service obligations in excess of the public sector's $7,500,000 annual payment.

- The public sector will be responsible for all out-of-ballpark operating costs.

- Under the Plan, the public sector does not participate in any of the revenues generated from the operation of the ballpark.

- The net present value of Spectacor's and the Giants' revenues generated from the ballpark over the term of the lease are estimated to be $63,700,000 and $555,600,000, respectively. The public sector's participation in revenues generated from the ballpark is zero.

- The plan stipulates that the public sector will relieve Spectacor and the Giants of property or possessory interest tax.

Overall, the Plan calls for significant investment by the public sector. This, however, is not unusual for sports facilities in general and, more specifically, for facilities for Major League Baseball. When compared with other recent transactions between Major League Franchises and the public sector, the Plan is similar to, and in some cases, better than those transactions. However, the situations under which recent transactions have been consummated were significantly different than exists in this case. This Plan is structured in a manner which minimizes the public sector's exposure to the risks of construction and operation, and provides a set annual obligation for the public sector. However, the Plan does not allow any participation by the public sector in the operation of the ballpark and/or franchise. Such participation may be desirable, but it should be noted that such participation typically carries some level of additional risk.

Presently, the net cost to the public sector cannot be quantified since the economic and fiscal impact of the ballpark on the JPA and the City of Santa Clara has not been completed. Therefore, it is our recommendation that the City focus on the Plan as delivered in terms of risk, costs and structure in order to determine which option for acting on the Plan (as set forth on page 1), would best suit the desires of the constituents of Santa Clara and the surrounding areas. Our preliminary opinion is that the City should commence negotiations with the Giants under the current Plan or propose alternative methods for construction and operation of a ballpark in Santa Clara.

PROPOSAL OVERVIEW

On June 5, the San Francisco Giants and Spectacor Management Group delivered to the City of Santa Clara their plan for developing and operating a ballpark in Santa Clara. Coopers & Lybrand was engaged, on behalf of the City of Santa Clara Redevelopment Agency, to assist the City with the evaluation of that plan and to provide the City with a written report summarizing our findings and recommendations.

In general, the Plan provides that the development and operation of a ballpark in the City of Santa Clara would be a public/private venture. The public sector would include the City of Santa Clara and other participating Joint Powers Authority (JPA) jurisdictions. The private sector includes the San Francisco Giants Baseball Club and Spectacor Management Group.

The Plan stipulates that the land and ballpark would be owned by the public sector. The facility would be developed and managed by Spectacor through a long-term lease agreement with the public sector. The public sector project financing includes three components; land, site improvements and an annual operating payment. A detailed evaluation of each of these components will be provided in the body of the report. In general, however, the land upon which the ballpark and the related parking are to be built is currently under the control of the City of Santa Clara except for the parcel for land referred to as the "Leslie Salt" property. Although the land involved in the transaction would be owned by the public sector, the use of that land for a minimum of 33 years represents a significant commitment on behalf of the City of Santa Clara and the other political jurisdictions and would mean foregoing the possible sale and/or private development of the site for the term of the transaction.

The Plan also stipulates that the public sector provide Spectacor with a cleared and "ready to be developed" site by January 1992. The site improvement cost estimate included in the Plan indicated an investment of approximately $40,000,000 was required. Review of the estimates by the City and the addition of certain costs not included in the Plan has increased the cost to provide an improved site to $60 million.

The third component of the public sector financial obligation is the annual operating payment. The public sector, under the terms of the Plan, would be required to make an annual operating payment to Spectacor in the amount of $7.5 million. The

public sector commitment including land, site improvements and the annual operating payment would require funding from existing revenue streams in the public sector or the creation of a new funding source dedicated to fund those obligations.

The private sector funding is comprised of a combination of equity, private financing and vendor financing. The Plan indicates that financing in the amount of approximately $110 million will be secured by the private sector. The Plan also indicates that Spectacor would enter into a mutually acceptable lease for at least 30 years with the San Francisco Giants as the primary tenant of the ballpark. The Plan indicates that the San Francisco Giants shall guarantee ticket and other revenues to Spectacor for not less than $10 million a year with certain adjustments for inflation and attendance fluctuation throughout the term of the lease. This guarantee, coupled with the public sector operating payment, would provide amortization of the facility financing.

A summary of the capital and ongoing revenues and costs to the public sector, the Giants and Spectacor are summarized in Exhibit 1.

Exhibit 1
Summary of Project Revenues and Costs

	Public Sector		San Francisco Giants		Spectacor	
CONSTRUCTION						
Land costs(1):						
City owned land	($ 53,700,000)					
"Leslie Salt" parcel	(8,500,000)					
Site improvements	(60,000,000)					
Other site preparation costs		(2)				
Construction period funding	(22,500,000)		($ 11,900,000)	(3)	($ 5,000,000)	(4)
	($ 144,700,000)		($ 11,900,000)		($ 5,000,000)	
OPERATION (NPV, 1995 dollars)						
Gross operating revenues			$623,700,000		$180,700,000	
Operating expenditures - ballpark			(56,200,000)		(57,300,000)	
Other stadium costs	($ 5,000,000)	(5)				
Annual payment obligations (debt service)	(88,600,000)				(54,700,000)	
	($93,600,000)		$567,500,000		$68,700,000	
Revenues (Costs)	($238,300,000)		$555,600,000	(6)	$63,700,000	
Net economic and fiscal impact		(7)	N/A		N/A	

Exhibit 1

Summary of Project Revenues and Costs (Continued)

(1) Represents the estimated market value as provided by representatives of the City for the land currently under the control of the City of Santa Clara and the Leslie Salt property.

(2) There could be additional costs, such as the removal of hazardous wastes, that were not included in the Plan's cost estimates.

(3) Represents deposits on private suites and club seating during the construction period.

(4) The Plan indicates that Spectacor will receive working capital and developer's fee draws of $4,500,000 during the construction period. Representatives of the Giants development team indicated that the funds will be used by Spectacor to pay the costs of marketing the private suites and club seating and paying various administrative costs during the construction period. Any excess funds will be retained by Spectacor as a development fee.

(5) This represents the cost of City services related to the out-of-stadium expenses which are to be borne by the public sector.

(6) The revenues generated for the Giants from the operation of the ballpark represent a significant part of their gross revenues from which players' salaries and other team expenses will be paid.

(7) The net fiscal and economic impact of the Plan has not been determined at the date of this report. A report detailing the net fiscal and economic impact is to be completed by July 16, 1990.

PROJECT FINANCING

This section focuses on the proposed financing plan for the construction of the ballpark. This evaluation will concentrate on a review of the funds required to finance the construction of the ballpark, the public and private sector responsibilities for funding the project as well as a discussion of the key issues impacting the project financing plan.

The Plan indicates that the public sector and Spectacor would enter into a long-term facility operating agreement whereby Spectacor would take responsibility for the development, operation and maintenance of the ballpark. It is anticipated that the transaction will be structured in a manner such that Spectacor would deliver to the public sector a first class baseball park on a turnkey basis. The facility is anticipated to be a 45,000 to 50,000 seat, open air, traditional baseball park with a natural grass playing field. This is a typical size for major league baseball parks under construction or being considered.

By structuring an agreement with Spectacor on a turnkey basis, the construction period risk to the public sector is minimized. It is assumed that the agreement would stipulate that the public sector:

- Does not have any responsibility for cost overruns or change orders;
- Is indemnified from any litigation arising from the construction and operation of the ballpark;
- Is provided with a completion guarantee;
- Would receive the proceeds of any penalties incurred by the private sector for failure to deliver the facility on time;
- Is an integral part of the design and construction effort to ensure that the facility design and construction specifications meet the building requirements of the City/public sector.

In order to provide a more detailed review of the project capital funding, we have outlined the construction period sources and uses of funds. The sources and uses of funds and the parties responsible for providing and/or securing the various components of the project financing is provided in Exhibit 2.

Exhibit 2
Sources and Uses of Funds

SOURCES OF FUNDS		RESPONSIBILITY
Public Sector		
Public sector capital participation	$122,200,000	City of Santa Clara/JPA
Issuance and financing funding	6,100,000	City of Santa Clara/JPA
Public operating payments	22,500,000 (1)	City of Santa Clara/JPA
Private Sector		
Vendor financing	10,000,000	Concessionaire
Developer equity	5,000,000	Spectacor
Giants' equity	11,900,000	San Francisco Giants
Private financing	110,500,000	S. F. Giants/Spectacor
Other		
Interest income	20,150,000	Earnings on construction fund and debt service reserve fund
Total sources of funds	$308,350,000	

Exhibit 2

Sources and Uses of Funds (Continued)

USES OF FUNDS

Public Sector	
Land	$ 62,200,000
Site improvements	60,000,000
Issuance and financing costs - (Public)	6,100,000
Private Sector	
Construction costs	133,900,000
Issuance and financing costs - (Private)	6,800,000
Debt service reserve	11,050,000
Capitalized interest	28,300,000
Total uses of funds	$308,350,000

(1) Represents construction period portion of the $7,500,000 annual operating payment by the public sector.

SOURCES OF FUNDS - PUBLIC SECTOR FINANCING

LAND AND SITE IMPROVEMENTS

The proposal stipulates that the public sector would be responsible for delivering to Spectacor a "ready to be developed" site no later than January, 1992. This condition dictates that the public sector would need to provide Spectacor with land in an improved condition that has passed all environmental review procedures, other legal requirements and all required mitigation. This raises a number of issues which must be considered by the public sector.

<u>Land</u>

- The City of Santa Clara currently owns approximately 70 percent of the land required to be assembled for the ballpark under the Plan.

- Based on estimates by City officials, the proposed 111 acre site has a market value of approximately $53,700,000. If the land were to be sold or leased at its estimated market value, significant revenues could be generated for the City of Santa Clara.

- Assuming this land could be sold for its estimated market value and the proceeds reinvested at the rate of 7.5 percent, the interest earned on those funds would approximate $4,000,000 per annum.

- Assuming the purchase by the public sector of land for an estimated market value of $53,700,000, the annual payments on the debt issued to acquire that asset, assuming a 11.5 percent interest rate over 30 years, would be approximately $6,400,000 million.

- The land would be owned by the public sector and leased to Spectacor through a long-term lease agreement. The Plan stipulates that the public sector will relieve the private sector of possessory interest taxes through an annual abatement or increase to the annual operating payment.

- In addition to the City owned land, the public sector would need to purchase or lease an additional 55 acres adjacent to the ballpark which is currently owned by Leslie Salt Co. The market value of the 55 acre parcel site is estimated by representatives of the City to be approximately $8,500,000.

- Under the terms of the Plan, the public sector would retain ownership of the land. However, the land would obviously be tied up for at least 33 years (assuming a three years construction period and a 30 year lease term), conveying constructive ownership to the private sector.

Site Improvements

The estimated cost of site improvements included in the Plan is $40 million. Based on a review of the costs by representatives of the City of Santa Clara, Becthel Civil, Inc. and CH2M HILL, it is anticipated that the total costs of the site improvements including certain costs which were not included in the Plan is approximately $60,000,000.

- The City of Santa Clara has typically required the private developer to pay for all site improvement costs. Under the scenario put forth in the Plan, the cost of site improvement is borne by the public sector.

- The site improvement cost estimate of $60 million includes the estimated infrastructure and on-site development costs. In addition, other costs such as hazardous waste removal and possible litigation costs regarding such clean-up should be considered. At this time, insufficient information is available to estimate such costs, if any.

ISSUANCE AND FINANCING FUNDING

It is anticipated that the public sector would be required to fund a portion, if not all, of their commitment related to land and site improvements through a bond issue on behalf of the JPA (this assumes the JPA has bonding authority) or another political subdivision. If the City receives market value for their land from the JPA, the total to be bonded could approach $128 million for the City owned land, the Leslie Salt property, site improvements and issuance costs.

It has been assumed that the costs of issuance related to public sector financing would be approximately 5 percent of costs related to land and site improvements. This represents costs incurred by the public sector for legal, financial and professional fees, underwriters discount and other such costs.

PUBLIC OPERATING PAYMENT

The proposal submitted by the development team stipulates an annual operating payment of $7,500,000 from the public sector. This payment is to commence at the start of construction and to continue through the three year construction period and the 30 year lease term. The payment is not subject to change for inflation or other factors such as low attendance or operating shortfalls. This payment totals $247,500,000 over 33 years. Discounted to its net present value using a discount rate of 7.5 percent, the rate set forth in the five year financial study for the City of Santa Clara for the use of money, the payments represent $90.8 million in public sector investment. The $22,500,000 represents the cumulative public sector operating payment during the construction period ($7,500,000 X 3 = $22,500,000).

The public sector's imputed costs related to land, site improvement and the annual operating payment are estimated to be $22,800,000 annually.

SOURCES OF FUNDS - PRIVATE SECTOR FINANCING

VENDOR FINANCING

The Plan stipulates that vendor financing in the amount of $10 million will be secured. Based upon our discussions with representatives of the Giants, vendor financing represents a funding commitment on behalf of the concessionaire for the proposed ballpark which will be used for concession equipment, finish-out of the concession areas and the other working capital needs of the ballpark. At this time this commitment has not been secured, but is anticipated as a part of the private sector funding package. According to the representatives of the Giants, the equipment and other costs associated with the concession operations have been included in the construction costs.

The use of vendor financing to fund the up-front costs of concession operations is quite common and is typically a part of the concessionaire's proposal to become the facility's vendor. Typically, a vendor that provides up-front financing receives a larger portion of the concession revenues than they would had they not provided the financing.

DEVELOPER AND GIANTS EQUITY

The Plan stipulates that the San Francisco Giants and Spectacor Management Group will commit approximately $12 million and $5 million in equity, respectively.

San Francisco Giants

The Plan indicates that the private sector will draw on a bank loan as part of the construction funding. The bank loan is repaid from the deposits and interest produced by the leasing of suites and loge seating.

The Giants' equity is, in essence, generated from the deposits on the private suites and the club seating collected during the construction period. The use of deposits generated from the private suites and club seating is typical in the development of professional sports facilities. The leasing of the suites and club seating is typically structured in such a manner that one year's lease payment (in this case, the last year's lease payment) is collected in

advance (at the time the lease is signed) as a deposit. Based on the plan submitted to the City of Santa Clara, the deposits are to be invested in an interest bearing escrow account during the construction period.

Spectacor

Spectacor Management Group is to provide $5 million in equity. The Plan indicates that Spectacor will receive working capital and developer's fee draws of $4,500,000 during the construction period. Representatives of the Giants development team indicated that the funds will be used by Spectacor to pay the costs of marketing the private suites and club seating and paying various administrative costs during the construction period. Any excess funds will be retained by Spectacor as a development fee.

PRIVATE FINANCING

The primary source of financing the construction of the ballpark will be the financing secured by the private sector in the amount of approximately $110.5 million. The private financing, as set forth in the Plan, is assumed to carry an interest rate of 10.25 percent during the construction period and 11.5 percent during the remaining term of the financing. It has been assumed that credit enhancement in the form of a letter of credit will be secured during the construction period at the cost of approximately 1.25 percent of bond proceeds.

The primary credit for the bonds during the remainder of the term is provided by pledging revenues generated at the ballpark and the annual public sector operating payment. The private sector financing will likely be contingent on the development team entering into an acceptable level of binding leases, license agreements and commitments related to the private suites, club seats and advertising, and an acceptable long-term agreement for the public sector's annual payment. This type of contingency arrangement is typical, as these long and short-term commitments provide the collateral for the financing.

Based on the current Plan, the annual debt service associated with the private financing will be $12.2 million. Therefore, the $7.5 million public sector operating payments will fund approximately 60 percent of the annual debt service related to the private financing. The remainder of the funds needed to cover the annual debt service are generated through a portion of the revenues attributable to the private suites, club seating, ticket sales, advertising and other such sources. A description of the facility generated revenues used to back the private financing will be provided in the following section of this report.

Since the financing will be secured by the private sector, most of the financing risks will be borne by Spectacor. The following issues relating to the financing should be considered by public sector.

- The public sector will be required to expend funds prior to the private sector receiving a firm commitment on their financing.

- An inability of the private sector to fulfill their on-going commitments could expose the public sector to a financial commitment without any benefit. Any agreement with the private sector should consider provisions that the annual operating payment is contingent on Spectacor's continued ability to operate the facility.

- The provision of the private financing should preclude the public sector's exposure from potential recourse action by creditors resulting from non-performance of debt covenants.

INTEREST INCOME

This represents the interest earnings on the construction fund during the construction period. All funds are assumed to be invested in interest bearing accounts until drawn upon for facility construction. Interest earnings also include interest earned on the debt service reserve fund during the construction period.

USES OF FUNDS

LAND AND SITE IMPROVEMENTS

The costs associated with the land required for the ballpark have previously been discussed and can be divided into two components; land owned by the City of Santa Clara and land owned by Leslie Salt Co. According to City officials, the land under the control of the City has an estimated market value of approximately $53.7 million. The market value of the Leslie Salt parcel has been estimated at approximately $8.5 million. The estimated cost of site improvements is $60 million.

CONSTRUCTION COSTS

The construction costs for the proposed ballpark, as provided in the Plan, are broken down as follows:

Basic structure	$101,000,000
Suites	6,500,000
Scoreboard	7,500,000
Architectural and engineering	5,500,000
Working capital/ Developers fee	4,500,000
Total	$125,000,000
Inflated costs to 1992	$133,900,000

The cost of the basic structure comes out to approximately $2,000 to $2,200 per seat. This range of cost per seat is similar to other ballparks that have recently been built or that are in the planning stages. The costs of the private suites are also in line with those facilities which have recently completed construction of suites or that are considering such construction as a part of their projects.

The cost of the scoreboard appears high relative to comparable developments. Furthermore, there are a number of arrangements which could reduce the up-front costs of purchasing the scoreboard. These include selling the advertising rights to a vendor, thereby reducing the costs associated with purchasing the scoreboard. Although this option would reduce the up-front costs, it does limit the ability of the team/owner to sell advertising on their own.

Architectural and engineering fees of approximately 5 percent of facility hard costs are similar to those incurred on similar projects.

The working capital/developers fee expenditures represents an even draw of $125,000 per month throughout the construction period. Based on discussions with representatives of Spectacor Management Group, the draws are used to fund their activities during the construction period.

ISSUANCE AND FINANCING COSTS

Private Sector

Issuance and financing costs will be incurred on various aspects of the financing plan. The actual costs of issuance include legal, accounting and other fees directly attributable to the issuance of the private financing and bank loans. The estimated issuance and financing costs related to the private sector financing are comprised of:

Issuance cost	$ 663,000	
Underwriters discount	1,100,000	
Letter of credit fees	3,450,000	
Interest on bank loan	1,560,000	
	$ 6,773,000	
	$ 6,800,000	(Rounded)

The price of the underwriters discount in the Plan is approximately $11 per $1,000 financed. These appear in line with current market conditions.

Public Sector

It has been assumed that the costs of issuance related to public sector financing would be approximately 5 percent of costs related to land and site improvements. This represents costs incurred by the public sector for legal, financial and professional fees, underwriters discount and other such costs.

DEBT SERVICE RESERVE

A debt service reserve equal to 10 percent of the face value of the bonds is assumed to be funded as a requirement of the private financing. This is typical for a transaction of this nature. The debt service reserve is assumed to be invested in an interest bearing account during the construction period as well as during facility operations. The Plan makes no reference to the use of the interest earned on the reserve during operations, or the allocation of the reserve funds after the financing has been paid off. The allocation of these funds needs to be evaluated.

CAPITALIZED INTEREST

Capitalized interest represents the interest expense incurred during the construction period. This cost is also typical for this type of transaction.

FACILITY OPERATIONS

In evaluating the financing plan for the ballpark, specific consideration of the revenues generated from facility operations is of utmost importance as those revenues provide a significant portion of the credit backing the project financing. In this section of our evaluation, we have provided a review of the facility operations focusing on the assumptions underlying the financial projections of the ballpark. The primary source of information regarding facility operations was provided through the pro forma financials in the addendum to the Plan and discussions with representatives of the Giants' organization.

As set forth in the Plan, the facility is to be operated by Spectacor under a long-term lease agreement with the public sector. Under this agreement, Spectacor would be responsible for the facility operations including lease negotiations with the Giants and other users of the facility. They would be responsible for the facility operating expenses and maintenance. Spectacor would also be responsible for the annual debt service requirements on the private financing. Under this arrangement, the public sector would not participate in facility operations beyond the annual operating payment obligation of $7.5 million.

This agreement provides the public sector with limited risks in terms of the ongoing operations of the ballpark. However, the public sector also does not participate in any of the financial benefits of facility operation. In order to provide a better understanding of the Plan in terms of facility operations, using the assumptions provided in the Plan and additional information provided to us by members of the Giants' development team, we have expanded the pro formas included in the Plan to include facility revenues generated which revert to the team as well as the ballpark.

A summary of the assumptions utilized in developing the pro formas are broken down as follows:

- Major League Baseball
- Other Events
- Expenses
- Income Summary
- Other Considerations

TICKET REVENUES

Ticket revenues traditionally provide the team with a major portion of their revenues. Typically, the majority of the ticket revenues go to the team with a small portion going to the facility as rent. This split is also the case under the Plan submitted to the City of Santa Clara. The ticket revenues are allocated on the basis of 95 percent to the Giants and 5 percent to the stadium (or in essence - Spectacor).

Total ticket revenue is based on an average attendance of approximately 24,700 for 81 home games, or 2,000,000 a year. The average ticket price is $10. In comparison, the Giants attracted 2,100,000 fans last year and approximately 1,800,000 during the 1988 season. In terms of ticket prices, the Giants have indicated the average ticket price of $10 reflects their current prices adjusted for inflation.

CONCESSION AND NOVELTY REVENUE

Concession and novelty revenues have become an increasingly important revenue generator for professional sports throughout the country. Although not stated in the Plan, concessions typically have a gross profit margin of approximately 45 to 50 percent. The gross margin on novelties is usually less than that of concessions and ranges between 20 and 25 percent. Based on those margins, it is apparent that a significant amount of revenues can be generated through concession and novelty sales.

The Plan submitted to the City assumes gross concession per capita spending of $8 in 1995, the first year of facility operations. Per capita gross novelty spending is estimated to be $1.75 in 1995. According to representatives of the Giants' organization, these averages are based on current per-capita levels adjusted for inflation and a more productive concession/novelty layout in the new stadium. Based on the attendance figure noted above, this will generate approximately $19.5

million in gross concession and novelty revenues or about $8 million in net revenues.

Based on the Plan, the concession and novelty revenues will be split between the ballpark, the Giants, and the concessionaire. The Giants and concessionaire will receive 95 percent of the revenues and the stadium the remaining 5 percent. Currently, the State imposes a 7 1/4 percent sales tax on concession and novelty revenues with the City receiving 1 percent, the County 3/4 percent, and other governmental bodies 5 1/4 percent. The revenue generated from the City's portion of the sales tax is estimated at approximately $195,000 in 1995.

ADVERTISING AND NAMING GRANT REVENUE

Over the past several years, the sale of advertising and naming rights at professional sports facilities has been an area of substantial focus in terms of team and facility revenues. Advertising at many of the facilities has reached several million dollars annually. The advertising revenue outlined in the Plan consists of in-stadium and marquee advertising. The Plan calls for 100 percent of the first $2,000,000 of the in-stadium revenue and $500,000 of the marquee revenue to go to the facility operator. Any advertising revenue above $2.5 million will be split between the Giants and Spectacor.

Naming grants such as those sold at ARCO Arena in Sacramento, Pilot Field in Buffalo, Great Western in Phoenix, and the Carrierdome in Syracuse are contemplated as a part of this transaction. The first $1,500,000 in naming grant revenue will go to the stadium operators, with any additional revenue to be split between the Giants and Spectacor. The level of advertising revenues set forth in the Plan is consistent with our past experience. The naming grants appear high, but are included in the $7.2 million committed to the stadium and therefore, do not create any significant risk or further commitment on behalf of the public sector if not achieved.

PRIVATE SUITES

Over the past 10 years, private suites and club seating have become a predominant stadium based revenue source in professional sports. These preferential amenities have become a primary source of backing for sports facility related debt.

The Plan calls for a total of 120 private suites with an average annual lease fee of $50,000 in 1995. The terms of the suite leases have not been included in the facility Plan, but traditionally these have been structured in a manner that will allow the leases to be pledged as collateral on the facility debt. As previously mentioned, this collateral is a key component of securing the private financing.

The Plan contemplates receiving a deposit equal to the last year's lease payment upon signing of the lease agreement. In the Plan provided to the City, the deposits on the suites and club seating will provide approximately $11.8 million in project financing. As stated in the previous section, when interest earnings are added, these deposits represent the Giants' equity contribution to the project financing.

The 120 private suites proposed for the ballpark exceeds the number of suites being developed in similar baseball facilities at the present time. The majority of the existing and/or planned ballparks have fewer than 100 private suites.

A total of 80 percent of the 120 suites are assumed to be leased in the pro forma statements included in the Plan. No provisions have been made for the possible per-game revenue generated from the remaining 20 percent of the suites, which is fairly common for unleased suites. Increases in the suite premium are assumed to take place every three years.

It is anticipated that the suites will generate $4.8 million in revenues in 1995. Twenty percent of the gross private suite revenue would be retained by Spectacor, with the Giants retaining the remaining 80 percent.

LOGE SEATING

As discussed above, loge seating plays an important role in the revenue generation of professional sports. A total of 4,000 loge or club seats are contemplated for the proposed ballpark with an average annual premium of $3,500 in 1995. A total of 50 percent of these seats would be leased by 1995, remaining constant throughout the analysis period. As with the suites, a deposit equal to the last years lease payment is required upon signing a lease for the loge seats. Increases in the seat premium are assumed to take place every 3 years.

As with the private suites, twenty percent of the gross loge seating revenue would be retained by Spectacor, with the Giants retaining the remaining 80 percent. We would anticipate that more than 50 percent of the club seating could be leased, thereby creating additional revenues for the Giants and Spectacor.

OTHER EVENTS

TICKET REVENUES

The operating statements included in the Plan estimates four other events to be held in the facility annually. The average attendance for the four events is 22,500 per event or 90,000 a year. There is potential for the ballpark to accommodate in excess of four other events. Under the proposed Plan, only Spectacor benefits financially from other events.

Gross ticket revenue for the other events is split between the stadium and event promoter, with the stadium receiving 12 percent of ticket revenues and the event promoter receiving the remaining 88 percent.

CONCESSIONS AND NOVELTY REVENUES

Gross concession and novelty revenues are generated based on per capita spending levels of $2.75 and $4.00 respectively in 1995 with the stadium receiving 45 percent of gross concession spending and 19 percent of novelties spending. The City's

portion of the sales tax applied to concession and novelty gross sales is estimated to be approximately $6,100 in 1995.

PARKING

The factors that determine gross parking revenue differ greatly between venues depending on available parking space, event mix, and the location of the venue within a metropolitan area. The assumptions set forth in the Plan call for a gross per car parking fee of $6.00 in 1995, with an average of 3 persons per car. This is based largely on the current parking price structure adjusted for inflation and the more convenient parking locations relative to the stadium entrances. Parking expenses are assumed to be 15 percent of gross revenue, thereby creating a net parking fee of $5.10 in 1995.

Gross parking charges at Candlestick Park are currently $4 per car. The league average for parking ranges between 2.7 to 3.4 attendees per vehicle. The plan indicates that 50 percent of the parking revenues for major league baseball will go to the stadium and 50 percent will go to the Giants. For other events, the stadium will receive 100 percent of the revenues. Parking revenues for the 81 home dates is anticipated to generate approximately $3.4 million.

EXPENSES

Expenses related to running a professional baseball stadium generally consist of operating and maintenance costs, and day-of-game costs such as ushering, security and ticket takers. Under the terms of the Plan, Spectacor would pay all operating and maintenance costs, with the Giants or Spectacor paying all day-of-game expenses. A detailed breakdown of these expenses is provided below.

OPERATING AND MAINTENANCE

The operating and maintenance expenses outlined in the Plan total $3,205,000 in 1995, increasing 3 percent annually throughout the term of the lease. Approximately $1,948,000 in expenses relate to facility staffing exclusive of game

day personnel. A summary of the facility staffing requirements and related costs in 1995 dollars is as follows:

▪ Management, finance and accounting	$ 299,000
▪ Marketing, promotions and advertising	160,000
▪ Operations and box office	260,000
▪ Maintenance, engineering and janitorial	575,000
▪ Groundskeeper	102,000
▪ Security	138,000
▪ Benefits	414,000
Total	$1,948,000

In addition to staffing expenses, numerous indirect expenses will be incurred in the operation of the stadium totaling approximately $1,257,000 in 1995 dollars. All but approximately $650,000 of these expenses relate to overhead items such as supplies, postal service, telephone, printing and stationary, and equipment rental. Insurance expenses account for $300,000, and utilities $350,000.

An important aspect of the Plan is that if these costs are greater than estimated, the private sectors (Spectacor) will bear the risk of those expenses. The public sector's annual commitment will not be affected. However, if the operating expenses are less than anticipated, the public sector will not participate in these savings.

As part of the Plan, Spectacor would also be responsible for maintaining a replacement reserve. The funding of the reserve will take place through annual

payments by Spectacor. In 1995, the payment is $100,000, increasing gradually to $500,000 by the year 2000, and by 3 percent annually thereafter.

DAY-OF-EVENT

Day-of-event expenses are incurred in the process of producing a publicly attended event, baseball or otherwise. These can include in-stadium costs as well as out-of-stadium costs such as police and fire service, traffic control, emergency medical services, and public sanitation services. Under the terms of the Plan, the Giants or Spectacor will be responsible for all in-stadium game day expenses. The public sector will bear the costs of the related out-of-stadium expenses. The costs related to the out-of-stadium expenses are discussed in greater detail in the following section.

POSSESSORY INTEREST TAX

Under the Plan, the public sector will own the ballpark. The public sector will enter into a long-term agreement with Spectacor to develop and operate the ballpark. Under this scenario, the ballpark would be subject to possessory interest tax. The plan submitted to the City indicates that Spectacor requires relief from this tax through a tax exemption or a reimbursement from the public sector through an increase to the public sector's annual operating payment. The amount of the tax to be generated from the ballpark has not yet been determined, but represents a potential cost to the public sector.

INCOME SUMMARY

The remainder of this section outlines revenues and expenses accruing to both the Stadium operators and the Giants.

STADIUM INCOME SUMMARY

Under the terms of the Plan, the Giants would pay Spectacor a facility rental fee of approximately $10.5 million in 1995, increasing at an annual rate of approximately 3.5 percent throughout the 30 year lease term. These rental payments are actually comprised of event and base stadium revenues, as previously stated. For example, 5 percent of gross baseball ticket sales, concession and novelty revenue goes directly to Spectacor as does 20 percent of the private suite and loge seat revenue, and 100

percent of the advertising and naming rights revenue up to $4,000,000. Based on the pro formas provided in the Plan, the net present value of the revenues reverting to Spectacor through the 30 year lease term is approximately $180.7 million, discounted at 7.5 percent.

Spectacor is responsible for paying the operating and maintenance expenses of the ballpark, the funding of a replacement reserve, and the portion of the annual debt service on $110.5 million in private financing not covered by the public sector's $7.5 million annual operating payment. It is assumed that these expenses will be paid out of the ballpark's operating revenues allocated to Spectacor. The net present value of Spectacor's operating maintenance and debt service expenses is approximately $112 million.

The net income accruing to the stadium operator after debt service and public operating subsidy will total approximately $2.6 million in 1995, increasing to approximately $6.8 million by 2009, and $15.2 million by 2023. Spectacor's net income reaches $26.1 million in 2024 as the remaining debt service ($1.6 million) is retired. The net present value of this net revenue stream to Spectacor is approximately $68.7 million.

GIANTS INCOME SUMMARY

Under the terms of the proposal, The Giants receive a percentage of the stadium event revenue and are responsible for payment of all game day expenses. Out-of-stadium expenses are assumed to be paid by the City. Total event and base stadium revenues retained by the Giants net of visiting team and league ticket revenue allocation, and the concessionaires and vendors splits equals approximately $36.5 million in 1995, increasing to $58.7 million in 2009, and $101.4 million in 2024.

Game day expenses include ushering, ticket taking, security, and parking costs. In 1995, the total game day expense exclusive of concession and novelty costs is

conservatively estimated at approximately $3.5 million, increasing 3 percent annually to $5.3 million in 2009 and $8.2 million in 2024.

After considering game day expenses, the net operating income realized by the Giants from stadium operations would be approximately $33.0 million in 1995, $53.4 million in 2009 and $93.2 million in 2024. The net present value of this revenue stream is approximately $567.5 million using a discount rate of 7.5 percent. It can be misleading to focus solely on the stadium related operating income of the Giants in evaluating the Plan. This income stream is only one component of a significantly larger operation involving national television contracts, merchandising agreements, players salaries and other revenue and expense items.

According to Giants officials, the Giants' total operating expenses have equaled an average of 114 percent of operating revenues over the past 10 years. With the new stadium development as proposed, the Giants overall financial position would improve. However, the Giants operating profits would likely not exceed 5 to 10 percent of gross team revenue in any given year.

OTHER CONSIDERATIONS

In reviewing the Stadium operating revenues and expenses included in the Plan submitted to the City, we have developed several general comments outside of the analysis presented above. These are as follows:

- There are a number of potential revenue sources which are not included in the plan submitted to City which could provide additional revenues to Spectacor and the Giants. In particular, a private club serving suite and loge seat holders, as well as a somewhat less exclusive restaurant facility have been potential revenue sources for sports facilities.

- Catering revenues from the private suites have not been included as concession revenues and should be considered as a part of the Giants and stadium revenues.

- No clear adjustments have been made in the Plan for event "no shows." Such adjustments could affect the revenue distribution to Spectacor and the Giants.

- The Stadium operating analysis assumes four non-baseball event days which utilize a significant portion of the Stadium seating capacity. Changes to the actual number of these events, as well as accommodating a variety of small meeting, banquet, and other events could significantly increase the non-baseball event revenue.

- No provisions were made for sales tax revenues generated from ticket, concession, and novelty sales. Incorporating the 7 1/4 percent sales tax applied to concession and novelty sales will impact the stadium operating revenue allocated to the Giants and Spectacor.

OTHER PROJECT CONSIDERATIONS

The development of any major public assembly facility will have impacts on a host community that go beyond the direct financial and economic effects. The purpose of this section is to highlight some of these development considerations, positive and negative, and to comment on how they effect the City of Santa Clara.

DEVELOPMENT ISSUES

Questions have been raised about the impact of the stadium development on the surrounding wetlands. As outlined in the Plan, any disturbing or filling of wetlands would require mitigation or replacement of an equal or greater area of wetlands. The proposed site would disturb approximately 2.5 acres of wetlands, all of which would require mitigation. According to Environmental Science Associates, Inc. (ESA), the costs of such mitigation total approximately $2,000,000. These costs have been included as part of the $60 million public sector investment for site preparation.

The preliminary report completed for the development team by ESA estimates the total costs of testing the development site for hazardous waste contamination at approximately $117,000. The report also notes that any necessary removal of hazardous waste could result in significant costs. Until testing is complete, these costs cannot be quantified, however, the maximum ESA estimate is approximately $20 million.

The stadium development will also displace some of the City's current landfill capacity. Although the City has been exploring and indeed is in the planning process for a new landfill area, this development could require the City to develop replacement landfill sites earlier than anticipated. In either case, the City's existing solid waste disposal plans will be affected. Additionally, the Plan will necessitate significant changes to the existing golf course. Certain fairways and greens will have to be moved and/or realigned, thereby possibly reducing the quality of the course.

Also of concern is the displacement of potential future development on the proposed ballpark site. One consideration is that a new site for the solid waste handling facility would have to be identified. It has been estimated that the new site could cost approximately $12 million. This is included in the $60 million site improvement cost estimate. Any other development on the site would obviously be precluded once the Stadium is completed. Consideration should be given as to how these issues will affect any long-term infrastructure and development planning undertaken by the City.

The demands placed on the surrounding infrastructure by the ballpark will be significant. A traffic study commissioned as part of the Giants' Plan estimates the total costs of infrastructure development at approximately $2.3 to $2.5 million. Additional costs of approximately $5.0 million related to developing and designing the infrastructure adjustments, and incorporating these adjustments into the long-range development process will increase the total public sector investment in infrastructure development to approximately $7.5 million. These costs are included in the $60 million public sector site improvement investment.

In addition to the variety of stadium related public sector costs, there are numerous economic, financial, and other impacts which will positively affect the surrounding communities. For example, if the ballpark is constructed as outlined in the Plan, a variety of ancillary development activity could occur. Developments which cater to the needs of the Stadium event attendees will likely be constructed near the Stadium and along major Stadium access routes. The direct spending taking place and the resulting financial and economic benefits of such development are significant.

GAME DAY ISSUES

The staging of any major publicly attended event, including Major League Baseball, will greatly impact the community during event hours. Even with the proposed infrastructure adjustments, the inflow of traffic during game days will create a significant impact on the non-event related traffic near the ballpark. The congestion and resulting noise and other inconveniences created before, during and after an event could also cause numerous intangible problems for nearby residences.

The operation of the ballpark will also require an investment of time and expense from the public sector police and fire departments, waste removal services, and any other non-stadium event related services. It has been assumed that the internal security for the ballpark will be provided by Spectacor. As previously stated, it has been assumed that the public sector will pay the event day out-of-stadium costs. Based on our review of comparable developments, we have provided below an estimate of the annual per event staffing levels and associated annual costs related to the out-of-stadium expenses.

	Annual Public Sector Costs	
	Baseball (1)	Other Events (4)
Traffic Control	$140,000 - 170,000	$ 8,000
Police	55,000 - 70,000	3,000
Medical Emergency	15,000 - 20,000	900
Waste Removal (2)	35,000 - 45,000	2,000
Communications (3)	8,000 - 12,000	500
Total	$253,000 - 317,000	$14,400 (5)

(1) Assumes 81 events. These estimates would increase if the number of games held in the ballpark increase.

(2) Assumed to be included as part of the City solid waste program budget.

(3) Based on discussions with the City officials, a communications vehicle at an estimated cost of $100,000 may be required.

(4) Based on four other events in the ballpark annually.

(5) In most cases, these costs are passed on to the event promoter.

These estimates are preliminary and could change depending on several factors:

- The traffic control cost estimates are dependent on the layout of the parking area and the number of traffic access points. If there are a high number of traffic points requiring personnel, these costs could increase.

- The emergency medical cost estimates assume two paramedics and one registered nurse are on duty during the game. In several major league facilities, emergency medical technicians (EMT's) are used in place of paramedics. ETM's are licensed medical personnel, but are not certified as paramedics. This is one way in which emergency medical costs could be reduced.

- We assume that proper medical facilities will be constructed as part of the ballpark development. However, if additional ambulance support is required, the emergency medical costs could increase.

- A number of facilities use personnel from the meter monitor/traffic control departments to provide ball game traffic control. The per hour costs for these personnel are generally lower than that of patrol officers. Some facilities also use non-enforcement personnel hired solely for traffic services at the ballpark. The per hour costs could be significantly reduced under this alternative. In addition, police reserve units are sometimes used to provide traffic control at no cost to the City. Each of these initiatives could reduce traffic control costs.

- The presence of on-site fire marshalls is not uniform throughout Major League Baseball facilities. Based on our preliminary discussions with City officials, it appears that fire marshalls will not be needed at the ballpark.

ON-GOING ISSUES

With any regular and substantial concentration of people, there will be recognizable on-going impacts on the surrounding area. Adverse effects such as increased solid waste

pollution will likely develop within the immediate area. The increased traffic levels can also be expected to generate an accelerated rate of infrastructure wear. The public sector is bound by strict State guidelines related to roadway conditions and the controlling of solid waste along the roadways. We cannot accurately quantify the costs to the public sector in mitigating these impacts.

The City could be held financially responsible as a result of lawsuits filed over ballpark development and continued operations. In addition, any personal injuries that result during ballpark operations could develop into legal action against the City. Irregardless of the outcome of these actions, the City could potentially incur cost.

Bringing Major League Baseball to Santa Clara will also produce numerous positive, though intangible, on-going benefits to the community. The existence of a Major League Baseball franchise can contribute immensely to the image of a community. This "Major League" image can play an integral part in efforts to generate increased tourism activity, as well as convention and trade show business. In addition, issues such as civic pride and the level of community service provided by the players are difficult to quantify but are nonetheless significant.

REVIEW OF SIMILAR TRANSACTIONS

The purpose of this section is to provide the City of Santa Clara with insight into recent trends in the development of Major League Baseball stadia in other cities and to provide a comparison of the Giants' Plan to those transactions.

An important consideration in evaluating recent transactions is the past and current association with Major League Baseball of the cities included in our review. Two of the communities have existing teams that had indicated a desire to relocate their franchises if a new stadium was not developed and the other is actively trying to attract an existing or expansion Major League franchise. The transactions are as follows:

NEW COMISKY STADIUM/CHICAGO WHITE SOX

PROJECT HISTORY

The Chicago White Sox have been located in the City of Chicago since 1900. They have made Comisky Field their home since 1910. Recently, the team's desire for a new facility led them to consider a move to Florida. To avoid this move, the Illinois Legislature approved funding for a new stadium in the Chicago area. The construction of the new facility will take place adjacent to the existing facility on the City's south side.

PROJECT DEVELOPMENT AND FINANCING

The capacity of the new stadium will be 45,000 with 85 private suites and 1,660 loge seats. Total cost for the project including hard cost and financing, is expected to be between $183 and $185 million, with project completion set for April 1991. The estimated hard costs for the project are broken down as follows:

▪ Land	$ 25 million
▪ Demolition and relocation	$ 12 million
▪ Construction	$ 119.5 million

Financing of these costs is provided by a State bond issue supported by annual State appropriations. In addition to the bond proceeds, revenue from a 2 percent City wide hotel/motel tax will be used to pay financing and other soft costs. The White Sox do not participate in the project funding.

LEASE AGREEMENT

The lease agreement governs the operation of the stadium and provides for revenue and expense allocation between the team and an Authority empowered by the State and City.

The lease stipulates that the team will be totally responsible for facility operations and will receive all facility operating revenue.

All out-of-stadium expenses (police, fire, etc.) are paid by the City. In addition, the Authority will provide the team with a fixed $2.0 million annual operating and maintenance subsidy. The Authority in turn receives various payments from the team based on total attendance, advertising and local broadcasting revenue.

- The payments to the Authority are outlined as follows:

Annual Attendance	Per Person Payment to Authority
Years 1 to 10:	
Under 1.2 million	$0.00
1.2 to 2.0 million	$2.50
Over 2.0 million	$1.50
Years 11 to 20:	
Under 1.5 million	$0.00
1.5 to 2.0 million	$4.00
Over 2.0 million	$1.50

- The Authority will also receive one-third of any advertising and local television and radio revenue in excess of $10 million annually.

NEW BASEBALL PARK/BALTIMORE ORIOLES

PROJECT HISTORY

After the NFL Baltimore Colts left the City, interest was renewed in keeping the Orioles in Baltimore. In 1987, the State of Maryland authorized the formation of the Maryland Stadium Authority to review the status of the existing sports facilities and to make recommendations for future development. One outcome of the Authority's work has been the planning and continued development of a new baseball facility for the Orioles.

PROJECT DEVELOPMENT AND FINANCING

The capacity of the stadium will be approximately 46,000 with 72 private suites and 5,000 club seats. The total project cost is estimated at $205.4 million with construction expected to be completed in April of 1992. The hard costs of the project are broken down as follows:

▪ Land	$ 85 million
▪ Infrastructure	$ 6 million
▪ Demolition and relocation	$ 9 million
▪ Construction	$ 105.4 million

The costs of this project are being financed through the sale of both tax exempt and taxable bonds. The taxable bonds are required due to restrictions stipulating that a maximum of 25 percent of tax exempt financed project costs can relate to land acquisition. In May of 1987, $60.8 million in taxable bonds were issued by the State backed by sports lease revenue notes. Recently, $137.5 million in tax exempt bonds were issued by the State backed by sports lottery revenue. Approximately $37 million of the later bond issue was used to retire a portion of the taxable issue. The Orioles do not participate directly in the project financing.

The Maryland Sports Authority was empowered by the State in July of 1987 as the owner of the Sports Complex. The Authority leases the complex to the State, with the State financing the facility's debt as a lease payment. The State then leases the complex back to the Authority. All Authority revenue net of expenses then reverts to the State. Authority revenue is generated in part through payments from the team as outlined in the Lease agreement summary below.

LEASE AGREEMENT

The Maryland Stadium Authority and the Orioles will operate the stadium under a 15 year lease with one 5 year option. Under the terms of the lease, the Orioles will make annual rental payments to the Authority in the form of a percentage of net team operating revenue.

To calculate the rental payment from the team, the following revenue and expense items are considered:

<u>Revenues</u>:

- Baseball game day
- Advertising
- Private suites and loge seating
- League and other broadcasting agreements
- Merchandise agreements

<u>Expenses</u>:

- Baseball game day
- Stadium maintenance during season
- Player salaries
- All other team expenses

The rental payments made to the Authority equal approximately 50 percent of revenues net of expenses, less one-half of the baseball related revenue allocated to the Authority from a 10 percent ticket tax.

Revenues generated from non-baseball events goes directly to the Authority and are not considered when calculating the rental payment. In addition, the Authority is responsible for paying all out-of-stadium expenses such as a police and fire service.

The only City participation in the lease agreement relates to a $1 million annual payment to the Authority.

The lease agreement also stipulates that the Orioles can opt to use a more typical rent calculation formula. The selection of a rent formula is made on a year to year basis. The payments to the Authority under the alternative formula are as follows:

- 7 percent of gross ticket revenue
- 7.5 percent of gross concession revenue
- 50 percent of net parking revenue
- 25 percent of net advertising revenue
- 10 percent of gross private suite revenue
- 7.5 percent of gross preferred seat revenue

FLORIDA SUNCOAST DOME/NO MAJOR LEAGUE TENANT

PROJECT HISTORY

The Pinellas County Sports Authority was created in 1977 to plan and develop sports facilities in Pinellas County. In 1984, a private owners group was formed with the goal of attracting a Major League Baseball expansion franchise. Also in 1984, the sale of bonds for the construction of a new baseball stadium was approved. Construction began in early 1987, and in 1988, negotiations were held with the owners of the Chicago White Sox to relocate to the new facility. Current efforts are focused on securing one of the recently announced National League expansion franchises.

PROJECT DEVELOPMENT AND FINANCING

The total costs of the project are approximately $115 million. The project was completed in March, 1990. The costs are broken down as follows:

- Land $ 12 million
- Construction $103 million

The construction costs were financed by the City of St. Petersburg and Pinellas County. The City and County jointly secure an $85 million revenue bond issue. The City is responsible for 60 percent of the debt service and has pledged various excise tax revenue to meet this requirement. The County has pledged hotel/motel tax revenue against the remaining 40 percent of the debt. In addition, the City independently secures $18 million in revenue bonds backed by various excise taxes.

The $12 million in land costs were financed through various federal grant programs in the early 1980's. All the necessary infrastructure was in place and required no new capital investment by the public sector. The Sports Authority was the issuing agency for all the bonds. The Authority is also responsible for the day to day operations of the facility.

Currently, the facility operating costs are paid by the City. However, all out-of-stadium costs are passed through to the event promoter. This pass through mechanism is not currently used as a revenue source for the stadium.

Exhibit 3 presents a side by side comparison of these transactions with the Plan submitted to the City of Santa Clara.

EXHIBIT 3

PROJECT DEVELOPMENT AND LEASE COMPARISON

Team Name	Chicago White Sox	Baltimore Orioles
Project data:		
Scheduled completion	1991	1992
Capacity	45,000	46,000
Box Seats	85	72
Preferred Seating	1,660	5,000
Project costs:		
Land	$ 25,000,000	$ 85,000,000
Infrastructure	N/A	$ 6,000,000
Demolition/Relocation	$ 12,000,000	$ 9,000,000
Construction	$ 119,500,000	$ 105,400,000
Project financing:		
Public sector	* $156.5 million State bond issue. * Alloaction of 2 percent city hotel/motel tax.	* $137.5 million State tax ecempt revenue bonds. * $60.8 million State taxable revenue bonds. * Limited amount of State equity.
Team/Stadium operator	* No participation.	* No participation.
Lease terms:		
Length of Lease	20 years	15 years
Number of Options	4	1
Length of Options	5 years	5 year
Public sector provisions	* Public Authority receives payments from Team based on attendance, and advertising and broadcasting revenue. * Authority provides Team with a fixed $2 million annual operating subsidy.	* City makes $1 million annual payment to Authority. * State receives 10% ticket tax revneue. * All net Authority revenue reverts to the State.
Team/Stadium provisions	* Team receives 100% of stadium operating revenue. * Team pays 100% of operating costs.	* Team pays 50% of net Team operating revenue to the Authority as rent.

EXHIBIT 3

PROJECT DEVELOPMENT AND LEASE COMPARISON

Team Name	Florida Suncoast Dome	Santa Clara Plan
Project data:		
Scheduled completion	1990	1994
Capacity	43,000	45,000 – 50,000
Box Seats	50	120
Preferred Seating	N/A	4,000
Project costs:		
Land	$12,000,000	$62,200,000 (1)
Infrastructure	$ 0	$60,000,000
Demolition/Relocation	$ 0	$0
Construction	$103,000,000	$133,900,000
Project financing:		
Public sector	* $85 million in City/County secured revenue bonds. * $18 million in City secured revenue bonds.	* $60,000,000 in site improvement costs. * Land – estimated at $62,200,000. * $22,500,000 in annual operating payments during the construction period.
Team/Stadium operator	NA	* $17 million in project related equity. * $10 million in private vendor financing. * Private financing of $110 million.
Lease terms:		
Length of Lease	None	30 years
Number of Options	N/A	None
Length of Options	N/A	N/A
Public sector provisions	N/A	* Public sector pays a fixed $7.5 million operating subsidy to the Stadium operators.
Team/Stadium provisions	N/A	* Stadium operating revenues and game day expenses split between the Team and Stadium. * Operator pays operating and maintenance expenses.

(1) Costs based on recent real estate market activity.